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Comptroller

Chief, Finance Division

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Reports of Audit - Proprietary and Subsidy Projects

1. As you have undoubtedly noticed, subject audit reports prepared by the Audit Office in nearly every instance include a recommendation to the Deputy Director (Plans) that project expenses be approved.
2. We understand that this recommendation by the Audit Office is made because that office is of the opinion that, as a matter of administration, operating officials should be required to specifically review and approve expenses of these projects in order that the Agency may have some assurance that project costs are reviewed by those persons who are in position to evaluate such costs in relation to operation results obtained.
3. We agree fully with this opinion of the Audit Office; however, we are somewhat concerned that the constant repetition of this recommendation may lead persons who read the reports without the benefit of full knowledge of the financial controls and policies applicable to such projects to the conclusion that expenses are recorded without approval in violation of applicable Agency regulations and established accounting policy. As you are well aware, such is not the case. Generally administrative plans are very specific as to the requirements for write-off to expense and/or cost. As a matter of practice Finance Division records project transactions in strict accordance with the requirements of the applicable administrative plan. Only in rare instances do such plans require prior approval for the recording of project costs. Accordingly, under established accounting policy, changes in asset values represented by proprietaries and subsidies are reflected in the accounts as they occur. Statements reflecting such changes are subsequently referred to the appropriate operating unit for review and approval, although such action is not normally required by the administrative plans. This procedure would appear to satisfy sound accounting principles and also afford desirable administrative review of costs.
4. This matter is brought to your attention not because of any particular problem insofar as Finance Division is concerned, but in order that the recommendation on this point by the Audit Office may be considered in proper context. I have furnished a copy of this memorandum to the Audit Office. You may also desire to offer clarification of the point to the Deputy Director (Administration).

cc: ✓ DD/A (ATTN:
Audit Office
Prop. Accts.
O & P. Br. M

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